2007 2008 BUDGET

MAY 2007

BUDGET SPEECH

Québec

2007 2008 | BUDGET

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BUDGET SPEECH

Delivered before the National Assembly
by Monique Jérôme-Forget,
Minister of Finance,
Minister of Government Services,
Minister responsible for Government Administration
and Chair of the Conseil du trésor,
on May 24, 2007.

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Discipline and transparency

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INTRODUCTION

Mr. President:

Before actually beginning to read the 2007-2008 Québec Budget, I wish to take a few moments to pay tribute to the Premier.

When the Premier formed his Cabinet on April 18, he took a historic step. By appointing as many women as men for the first time to the most prestigious board of directors in Québec, he broke the glass ceiling, that barrier which, although invisible, has hindered the rise of many talented women.

I have been on numerous boards of directors during my career. Most of the time, I was the only woman. Whenever I suggested recruiting another woman, I would pretty much be told: "Monique, there's no one else like you."

I am sure you see the remark for the male flattery that it was, Mr. President. But beneath the flattery, was there not a feeling that enough had been done already?

"Equality" is a word that is easily bandied about. No one is against virtue. But it takes determination to impose equality, as it did our government to achieve pay equity.

Mr. President, it is a privilege and an honour for me to serve Quebecers alongside my Premier.

On behalf of all women, thank you, Mr. Premier.

• • •

Mr. President, the Premier referred to this budget in his inaugural address as being one of discipline and transparency.

These two words have guided me throughout my career. I confess to you today that it is almost an obsession.

As you will see, this obsession with discipline and transparency permeates this first budget I am tabling. Because the money we manage is not ours. The money we manage belongs to Quebecers, who work every day so that we can offer quality public services. We must never forget that.

I am going to do everything I can to ensure that each dollar Quebecers entrust to us is managed in a disciplined, transparent manner.

This budget is also the budget of a government that is moving forward.

It is the budget of a Québec that has confidence in its resources and rises to its challenges.

It is the budget of a minority government that wants to work with the Opposition, in accordance with the wish expressed by the population on March 26.

It is a budget that:

— gives families and the middle class room to breathe;

— makes us responsible to our children and future generations;

— meets the challenge of population aging;

— enables Québec to contend with international competition.

This budget targets a limited number of priorities, laid out in six points.

— **First, we are recognizing the value of work.** I am announcing a $950-million income tax reduction primarily for the middle class.

— **Second, we are promoting private investment to create jobs in all regions.** I am announcing an accelerated reduction in the tax on capital, which will be completely eliminated after December 31, 2010.

— **Third, we are renovating our schools and hospitals and repairing our roads.** I am announcing a $30-billion investment over five years in our infrastructure.

— **Fourth, we are making a determined effort to pay down the debt.** I am announcing that electricity exports will soon enable us to raise our contributions to the Generations Fund by $400 million a year.

— **Fifth, we are making our administration a model of transparency.** I am announcing that we have reached an agreement with the Auditor General of Québec to review the government's accounting practices.

— **Sixth, we are continuing to modernize government.** This budget refocuses government action on the two main priorities of Quebecers—health and education. Consequently, I am announcing that five government services will be turned over to the private sector and that an additional 3 800 public service jobs will be eliminated over three years.

That is my budget: it is the budget of a new government. It is the budget of a government determined to take up the challenges facing us.

As you will see, Mr. President, this budget is not a list of sector-based announcements. In the coming weeks, my Cabinet colleagues will present the details of the priorities of their departments on the basis of the appropriations allocated to them.

What I want to do today is chart the government's course.

It is a budget that sets forth a new way of doing things.

1. RECOGNIZING THE VALUE OF WORK

Mr. President, I will go through the six components of this budget one by one.

The first condition for success in creating a more modern and more prosperous Québec is to recognize the value of the work of Quebecers.

Quebecers work hard. This day-to-day effort must be recognized. Their ambition must be supported.

Our young people are bilingual, competent and open to the world. If we want them to be the architects of Québec's success, we must encourage them to succeed in Québec.

That is why we are reducing income tax.

To reduce income tax is to:

— Recognize and reward the work and effort of Quebecers.

— Motivate our best-trained young people to stay in Québec and the most qualified immigrants to choose Québec.

— Raise the standard of living of families.

— Encourage companies to set up and expand operations in Québec.

It is for these reasons that I am introducing a $950-million tax reduction. And it is primarily middle-class taxpayers who will be the beneficiaries.

During our first mandate, we deployed extraordinary resources to help families.

— We added 35 000 daycare spaces.

— We brought in Child Assistance payments, which represent direct assistance of more than $2 billion a year to over 856 000 families.

— We created the best parental leave plan in North America.

— Overall, we increased family assistance by 30%, and the number of births climbed sharply.

We began recognizing the value of work by undertaking a general income tax reduction and introducing a work premium for lower-income earners.

We will continue to raise the standard of living of Quebecers. We are recognizing the day-to-day effort of the middle class. It is these women and men who shoulder Québec. They are entitled to a reprieve.

This income tax reduction of $950 million represents a gain of up to $2 000 a year for a family of two adults and two children, and up to $1 000 a year for a person living alone.

• • •

This year, Mr. President, eight other provinces brought in income tax reductions. All of these provinces received higher federal transfers; five of them receive equalization payments.

Allow me to quote Tom Courchene, one of Canada's leading experts on fiscal federalism: "... this is exactly the role that equalization is supposed to play — to allow provinces to have comparable public services at comparable tax rates. ... Given that high taxes are more problematic competitively in a comparative provincial context, Quebec's move ... is the obvious option".

This year, Québec will receive $2.2 billion more in federal transfers than last year. This is the result of the Premier's determined efforts to defend the higher interests of Québec.

We have decided to adopt a balanced approach. On the one hand, we are promoting a more dynamic economy and, on the other, we are investing more in public services.

Thus, we have allocated one third of the additional federal transfers to tax cuts and, accordingly, two thirds to public services, primarily health and education.

Mr. President, governments can always justify additional spending: there will always be needs to be met. In other words, there would never be a right time to reduce income tax. I do not agree with that viewpoint.

First, steps must be taken to ensure Québec is as competitive as possible in the Canadian and North American economic space. Were this parliament not to cut income tax, the tax burden gap with the other provinces would be wider. That would adversely affect our economic development opportunities.

Second, it is by keeping a tight rein on public spending that government will be moved to adopt new, more efficient ways of doing things. In the long term, public spending must not grow more rapidly than revenue.

Mr. President, we pledged to put Quebecers' income tax on a par with the Canadian average. We are taking a big step in that direction today.

When we took office in 2003, Quebecers' taxes were the highest in North America. However, with the passage of this budget, only four Canadian provinces will have lower income tax than Québec.

That is how much ground we have made up, and I am very proud of it.

Mr. President, allow me to point out that other tax relief measures are contained in *Additional Information on the Budgetary Measures*, and are an integral part of today's budget. They of course include the fiscal measures contained in the February 20, 2007 budget presented by my predecessor, Michel Audet.

2. PROMOTING PRIVATE INVESTMENT TO CREATE JOBS IN ALL REGIONS

Mr. President, the Québec economy is healthy,

Real business investment has grown by 33% since 2003. Housing starts have averaged close to 52 000 units annually for the last four years. Household confidence remains high. This is reflected in sustained spending.

Moreover, the latest unemployment statistics are very heartening.

April's 7.2% unemployment rate was the lowest in 32 years. In the past 12 months, Québec has created more than 108 000 jobs—29% of the jobs created in Canada.

The employment rate, at 60.9%, is a record high. In other words, never have so many Quebecers been working.

These figures reflect a dynamic labour market.

But, as we well know, these figures do not tell us everything.

The economic situation in recent years has also been marked by rapid appreciation of the Canadian dollar. The dollar has risen more than 40% in the last five years, from 63 cents to its current level of over 90 cents. The increase in fuel costs and the rise of emerging economies, where labour is cheap, also significantly affect our economy.

These factors are beyond our control.

Our manufacturing industry in particular must adapt to fierce competition from such countries as China, India and Brazil.

The rapid rise in the Canadian dollar is a problem. But it is a problem that also comes with its own solution. A strong dollar makes machinery and equipment more affordable. The time has come to enable businesses to take up the productivity challenge.

A recent C.D. Howe Institute study shows that Canada is lagging behind OECD countries in investment. In Québec, the level of investment per worker is only 63% of the OECD average. We have to do much better.

So that our businesses in all sectors contribute more to Québec's economic growth and are more competitive:

> I am announcing that we will accelerate the reduction of the tax on capital, which will be completely eliminated after December 31, 2010. This tax punishes companies that upgrade. We are abolishing it.

Stiff international competition also demands that immediate action be taken with regard to manufacturing companies.

> I am confirming that we are raising the capital tax credit for all business modernization investments from 5% to 10%. In practice, this means the immediate elimination of the tax on capital for manufacturing companies that invest as of now in Québec.
>
> To take into account the special problems facing the forest industry, the 15% capital tax credit for all investments in wood processing companies is being extended.
>
> But that is not all. I am also announcing enhanced capital cost allowances. This will benefit our manufacturing companies, which, as a result, will see their income tax substantially reduced. It is an investment incentive.
>
> Moreover, I am announcing that we are significantly easing the administrative burden of SMEs by reducing the number of their periodic remittances to the government by close to 20%. In other words, less time lost filling out forms.

The combined effect of these measures is a transformed fiscal environment for our businesses. We are moving from a system that taxes investment to one that rewards it.

The manufacturing sector now has the levers necessary to invest and contend with international competition. Today, Québec is taking steps to boost its productivity.

3. RENOVATING OUR SCHOOLS AND HOSPITALS AND REPAIRING OUR ROADS

Mr. President, I have gone over the first two points of my budget: recognizing the value of work and stimulating private investment. I am now ready to address the third component of this budget: maintaining our infrastructure.

Our modern economy is highly service-oriented. But it is also dependent on the quality of our infrastructure.

The reality, though, is that for decades previous governments have neglected the upkeep of our infrastructure.

Our government has the best record in this regard. I want to emphasize that.

As early as 2004, as Chair of the Conseil du trésor, I introduced a policy for ongoing maintenance of our public infrastructure. We allocate to maintenance an annual amount equal to 2% of the value of buildings in the health and education networks.

More must be done. A visit to certain schools and hospitals is all it takes to see the level of deterioration of our buildings. Frankly, I was sometimes troubled and embarrassed by what I saw.

Mr. President, every elected official prefers cutting the ribbon in front of a new building to changing the windows and repairing the roof of an old school.

I want to change that.

We are going to repair, renovate and restore our infrastructure.

— I want our children to attend well-maintained schools.

— I want our seniors to be housed in sound, comfortable residences.

— I want our roads to be comparable to those of our neighbours.

— I want our infrastructure, which is sometimes a source of embarrassment today, to be a source of pride tomorrow.

> I am announcing that, for the next five years, we will invest $30 billion to develop and restore our public infrastructure.

Of this amount, $20 billion will be devoted exclusively to the renovation and restoration of our infrastructure. The remainder will be allocated to the development of new infrastructure. Thus, we will invest twice as much in renovation as in development.

Through these investments, it will be possible to:

— create 1 000 new spaces in long-term care centres and improve the quality of 3 000 others by reducing the number of beds per room;

— upgrade public transit equipment;

— enhance the quality of our hospitals, schools and scientific research laboratories;

— modernize water treatment facilities, water supply systems and sewers.

> I am announcing that I am adopting the same approach to social housing. Many social housing units need major renovations. We are going to renovate them.

Thus, we are increasing the level of spending for renovation of existing social housing by $60 million over four years.

> I am also announcing the construction of another 1 000 social housing units for each of the next two years, at a cost of $120 million. These new units will be intended first and foremost for seniors.

That is a total investment of $180 million, the equivalent of the federal trust amount.

Mr. President, this is a new approach to infrastructure management. In the fall I will table a plan with full details of this new approach. This plan will specify how we will bring our public infrastructure up to standard.

We will thus be able to leave our children a sound infrastructure.

4. A DETERMINED EFFORT TO PAY DOWN THE DEBT

Mr. President, I have reached the fourth component of this budget: making a determined effort to pay down Québec's debt.

In addition to properly maintained infrastructure, we will leave our children sound public finances.

This budget accelerates the reduction of our debt load.

I prepared this budget with my grandchildren, Zoé, Louis and William, in mind. They are in the gallery this afternoon.

I see your children and grandchildren in them.

It is for them that we are here.

Our government has kept a tight rein on public finances. Under our administration, the debt load has been reduced from 46% of GDP in 2003 to 43% in 2007.

My predecessor, Michel Audet, marked Québec's financial history by establishing the Generations Fund to ease the debt load.

Moody's credit rating agency acknowledged the merits of that strategy by raising Québec's credit rating to its highest level since 1975.

Assets accumulated in the fund, which is managed by the Caisse de dépôt et placement, will gradually balance out our debt.

We are going to accelerate the planned rate of contributions to the Generations Fund.

The fund is financed primarily by water-power royalties. Revenue from electricity exports to our neighbours will soon be deposited in the fund.

The context created by the Kyoto Protocol and the fight against climate change is expected to cause renewable-energy prices to soar on world markets.

We have this source of wealth—water—which I like to call our blue gold.

We will create wealth by contributing to environmental quality in northeastern North America. In so doing, Québec will make a major contribution to the fight against climate change.

To step up debt load reduction:

> I am announcing that Hydro-Québec's exceptional performance will enable us to pay an additional $200 million into the Generations Fund as of this year. Hence, on March 31, 2009, the Generations Fund will total close to $2 billion.
>
> I am also announcing that, today, we are formally mandating Hydro-Québec to step up the development of export markets. This mandate in no way changes Hydro-Québec's number one mission of providing Quebecers with enough energy to support economic and industrial development in all our regions.

Thus, we will be able to pay into the Generations Fund, between 2010 and 2025, an average of $400 million a year in electricity export revenues.

These amounts will be in addition to the water-power royalties deposited in the fund each year. Consequently, over $1 billion a year will be paid into the Generations Fund.

On March 31, 2026, we will have allocated close to $42 billion to paying down the debt. In less than 20 years, we will have eased the debt load to 25% of GDP while bringing our public infrastructure—our schools, hospitals, roads and water supply network—up to standard.

Nearly half of the debt contracted to "pay the groceries" and accumulated for more than 30 years by previous governments will have been repaid.

Consequently, we will leave our children a sound legacy and a Québec in good financial health.

5. MAKING OUR ADMINISTRATION A MODEL OF TRANSPARENCY

Mr. President, I also want Quebecers to have confidence in the way we manage their money. That is the subject of the fifth component of this budget.

Mr. President, all governments are criticized by their auditor general. That is true for all public administrations in Canada.

I take the Auditor General's criticism seriously and I act accordingly.

I want to emphasize that our government has applied the accounting practices in effect since the reform of 1998. That reform was carried out by the government before us with the help of the Auditor General at that time, Guy Breton.

Accounting practices for public administrations in Canada have changed since then. The Canadian Institute of Chartered Accountants established new standards that are now applied in whole or in part by public administrations across Canada. We, too, must adjust.

As part of our move toward greater transparency in the public administration:

> I am announcing that we have concluded an agreement with the Auditor General of Québec for a joint examination of government accounting. This examination will lead to a major reform of the government's accounting practices.

I am tabling this agreement today before the National Assembly so that all Quebecers can consult it.

The Auditor General is of the opinion that the government reporting entity should include, for example, hospitals, school boards and CEGEPs.

> I am announcing that, when the work with the Auditor General is completed, we will proceed with the orderly incorporation of these institutions into the government reporting entity.

As of the next budget, or even in the fall when the public accounts are tabled, if enough progress has been made, a number of changes to our accounting practices will be in effect.

The new *Act respecting the governance of state-owned enterprises*, passed last fall, will give more powers to the Auditor General of Québec.

Under this act, the Auditor General's financial auditing role will be extended to all government agencies and corporations.

The act states that, by 2010, the Auditor General will partner with an independent firm to audit the books and accounts of the six main government corporations with a financial or commercial mission, and those of the Caisse de dépôt et placement du Québec.

To follow through on that commitment:

> I am announcing that, as of 2007-2008, the Auditor General will co-audit the financial statements of the Société des alcools du Québec and the Société générale de financement for the first time in the history of these corporations.
>
> Furthermore, I am announcing that, as of 2008-2009, the Auditor General will audit the financial statements of the Régie des installations olympiques, the Société des établissements de plein air du Québec and the Agence métropolitaine de transport.

Mr. President, I will see to it that Québec's public administration becomes a model of transparency.

6. A MORE MODERN GOVERNMENT FOCUSED ON THE FUNDAMENTAL MISSIONS OF THE STATE

Mr. President, during our first mandate, we imposed very strict discipline on ourselves. We will continue to be as disciplined. I am announcing a balanced budget this year and next.

To that end, we must keep a tight rein on spending. This year, spending will grow by 3.9%.

It is this discipline that has enabled us, since 2003, to make substantial reinvestments in the fundamental missions of the state, namely, health and education.

This work is ongoing.

With this budget, we are raising health funding by 6%. That is more than the long-term growth forecast of 5.1% made by the Clair Commission and in the Ménard report.

With this budget, education funding is increased by 5%.

To all intents and purposes, spending by the other departments as a whole is frozen.

As you can see Mr. President, health and education are the main priorities of this government, because they are the main priorities of Quebecers.

• • •

This year, the health budget will grow by $1.4 billion.

That means that health remains by far the government's largest expenditure item, accounting for almost 45% of total program spending.

Reinvesting in health will enable us to, among other things, assume the costs related to population aging, new technologies and the introduction of new drugs.

Reinvesting in health will also enable us to truly enter an era of guaranteed access to health care. We will thereby meet the commitment of ensuring that cataract, knee and hip surgery is performed within six months, and pave the way for extending the same guaranteed access to all types of surgery. These appropriations will also allow for recourse to affiliated private clinics, thereby putting the private sector at the service of the public sector.

This year, we are substantially raising the appropriations of the ministère de la Santé et des Services sociaux in order to keep seniors in the living environment of their choice and offer even better-organized, more accessible home care. These initiatives are part of a five-year action plan to better support people losing their autonomy.

In addition, with a view to the ongoing improvement of the situation in emergency rooms, we intend to open some 300 convalescence spaces as of this year. Lastly, we will continue to accredit new family medicine groups. All projects that meet the criteria will be approved. Since 2003, we have increased the number of family medicine groups from 17 to 134.

It is clear—health is our priority.

• • •

Mr. President, education is the future of our nation more than ever. Our capacity for prosperity is tied directly to the knowledge of our population.

This year, the education budget will be raised by $644 million. It is a substantial reinvestment in education.

With this reinvestment:

— We are fostering academic success for everyone, including students with learning difficulties.

— We will hire 800 more professionals over the next two years, raising to 1 800 the number of professionals assisting students experiencing difficulties.

— We are continuing to invest in homework assistance. This budget raises to $70 million the investment in this service, which is now offered in more than 2 000 Québec schools.

In short, we are making academic success a major priority of our government. Moreover, by investing in the renovation of educational institutions, we are turning our schools into more stimulating living environments, an essential aspect of academic success.

• • •

Mr. President, our institutions of higher learning must be able to hold their own with the best in the world.

Today's budget confirms a commitment of an additional $240 million for our universities and $80 million for our CEGEPs.

With the additional funding received from the federal government for post-secondary education, we will be able to invest more.

In 2008-2009, we will invest the full amount of the additional $187 million in federal transfers in our colleges and universities. We will continue discussions within the Council of the Federation in order to convince the federal government of the importance of raising its contribution to the funding of higher education.

The government is making a considerable effort. Students must as well.

That is why university tuition fees will be increased $50 a term as of the upcoming school year.

However, to maintain access to higher learning:

— We will enhance the loans and grants program.

— And I am confirming the introduction of a registered education savings plan to encourage parents to invest in their children's education.

The success of Québec is the business of all Quebecers.

Mr. President, our universities are institutions of prime importance to the future of Québec. They are recognized worldwide for their teaching and research excellence.

It is important for them to have sound finances. Several of them have undertaken major capital projects. In one case, that of UQAM, the experience has been an unhappy one.

Such a situation must be avoided in the future. In collaboration with my colleague, the Minister of Education, Recreation and Sports, I will announce in the weeks to come an adjustment to the funding framework for university capital projects in order to support universities in their development.

• • •

To respond to Quebecers' priorities, our government has undertaken a vast project to modernize the state.

To date, this project has enabled us to save over $1 billion dollars that we have redirected to health and education.

Modernization is a thorough review of all our procedures and practices with a view to adopting more effective, less-costly management methods.

This modernization will continue.

I am announcing that, over the next three years, we will eliminate by attrition 3 800 public service jobs. This objective will be attained by maintaining the rule of replacing one out of every two employees who retire. Since 2004, 3 400 jobs have been eliminated this way.

In addition, to continue refocusing government on its fundamental missions while creating business opportunities in all regions of Québec, I am announcing the privatization of five government services, namely:

— Centre de gestion des équipements roulants;

— Centre de signalisation;

— Réseau national intégré de radiocommunication (RENIR);

— Fournitures et ameublement du Québec;

— Reprographie gouvernementale.

Together, these services account for 457 employees.

I want the government to be there to educate your children, care for your parents and guide us toward sustainable development.

It is not the government's role to do the job of garage workers or road sign designers.

We will also sell three buildings belonging to the Société immobilière du Québec.

They are:

— In Montréal, the building at 500, boulevard René-Lévesque Ouest;

— In Québec City, the building at 25, rue Saint-Amable, and Place Québec.

The sale of these three commercial buildings will enable the Société immobilière du Québec to focus on its fundamental mission of housing the departments and agencies of the Québec government.

The gain from the sale of these buildings will be deposited in the Generations Fund.

• • •

Mr. President, before concluding, I want to touch on a pressing matter of concern to all Quebecers which this parliament must deal with.

Because of population aging and the introduction of new technologies in particular, the cost of our health care system is growing rapidly. It is one of the biggest challenges before us.

My colleague, the Minister of Health and Social Services, has done an enormous job reorganizing the system to make it more efficient.

Since 2003, our hospitals have become 20% busier and we have kept pace through the dedication of our physicians and nurses, support staff and administrators.

Last December, we passed Bill 33, paving the way for the opening of the first private clinics affiliated with the public health system.

It is a major step toward a better contribution by the private sector to our public health system.

• • •

However, we have to do more, explore new solutions, find new ways of improving health funding.

> I am announcing that the Minister of Health and Social Services will continue the work begun to implement a new management practice, namely, the care-episode funding of institutions. This practice introduces the concept of competition between institutions to make them more efficient. It has been successfully introduced in a number of OECD countries.
>
> I am announcing the creation of a task force charged with examining ways of ensuring adequate health funding, looking at how the private sector can support the public health system and examining amendments that might have to be made to the *Canada Health Act*.

The task force will be chaired by Claude Castonguay, recognized as the father of our current public system. Mr. Castonguay is a wise man respected by all. He is the obvious person to take a critical look at our methods and propose new ones. On behalf of all Quebecers, I thank him for accepting this mandate.

Two vice-chairs will assist Mr. Castonguay in his mandate. They will be appointed after consultation with the opposition parties. The task force will submit its report to the government next fall.

The sustainability of our public health system is not a partisan matter. It is an issue that concerns us all.

In his inaugural address, the Premier emphasized maintaining a strong public system in which the private sector can play a role.

I fully endorse his words. No one in Québec will be deprived of health care for financial reasons.

However, we are not going to allow our hands to be tied by nostalgia.

Together, we will find the right solutions for responding to population aging and perpetuating the values of compassion and social justice underpinning our health system.

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CONCLUSION

With this budget, we are changing the course of things.

We are reducing your income tax. We are making our economy more competitive. We are investing in our knowledge and health. We are renovating our infrastructure.

We are making public administration more transparent and modern.

We are making a determined effort to pay down the debt, by banking on our blue gold.

We are also becoming more responsible by intelligently undertaking to solve the problem of long-term funding of our health care system.

This disciplined, bold budget is a budget of hope.

Permeating it is the conviction that we can take up our most demanding challenges in order to create a better life and leave our children the legacy of a more prosperous future.

Mr. President, this budget is in line with the priorities of Quebecers. The population wants this parliament to work in a spirit of cooperation. The population is relying on each of us to be responsible.

Thank you, Mr. President.

Gouvernement du Québec
Summary of consolidated financial transactions
2006-2007 fiscal year
(millions of dollars)

	March 2006 Budget Speech	Preliminary results
BUDGETARY REVENUE		
Own-source revenue	47 105	49 290
Federal transfers	10 796	11 015
Total	**57 901**	**60 305**
BUDGETARY EXPENDITURE		
Program spending	– 50 873	– 51 769
Debt service	– 7 205	– 6 967
Total	**– 58 078**	**– 58 736**
NET RESULTS OF CONSOLIDATED ORGANIZATIONS	**177**	**260**
Deposit in the Generations Fund		**– 500**
Allocation to the budgetary reserve		**– 1 300**
CONSOLIDATED BUDGETARY BALANCE FOR THE PURPOSES OF THE *BALANCED BUDGET ACT*	**0**	**29**
Net results of the Generations Fund	**74**	**578**
CONSOLIDATED BUDGETARY BALANCE	**74**	**607**
CONSOLIDATED NON-BUDGETARY TRANSACTIONS		
Investments, loans and advances	– 1 495	– 2 165
Capital expenditures	– 1 249	– 1 394
Retirement plans	2 257	2 418
Other accounts	– 82	– 444
CONSOLIDATED NON-BUDGETARY REQUIREMENTS	**– 569**	**– 1 585**
CONSOLIDATED NET FINANCIAL REQUIREMENTS	**– 495**	**– 978**
CONSOLIDATED FINANCING TRANSACTIONS		
Change in cash position	2 590	– 3 428
Net borrowings[1]	966	9 424
Retirement plans sinking fund	– 2 987	– 4 440
Generations Fund	– 74	– 578
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	**495**	**978**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.
1 The preliminary results for 2006-2007 take into account pre-financing of $6 069 million

Gouvernement du Québec
Summary of consolidated financial transactions
2007-2008 forecast
(millions of dollars)

BUDGETARY REVENUE	
Own-source revenue	47 842
Federal transfers	13 174
Total	**61 016**
BUDGETARY EXPENDITURE	
Program spending	– 53 802
Debt service	– 7 244
Total	**– 61 046**
NET RESULTS OF CONSOLIDATED ORGANIZATIONS	**30**
Deposit in the Generations Fund	**– 200**
Use of part of the reserve	**200**
CONSOLIDATED BUDGETARY BALANCE FOR THE PURPOSES OF THE *BALANCED BUDGET ACT*	**0**
Net results of the Generations Fund	**653**
CONSOLIDATED BUDGETARY BALANCE	**653**
CONSOLIDATED NON-BUDGETARY TRANSACTIONS	**– 1 091**
CONSOLIDATED NET FINANCIAL REQUIREMENTS	**– 438**
CONSOLIDATED FINANCING TRANSACTIONS	
Change in cash position	6 069
Net borrowings	– 102
Retirement plans sinking fund	– 4 876
Generations Fund	– 653
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	**438**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

Gouvernement du Québec
Budgetary revenue of the Consolidated Revenue Fund
2007-2008 forecast
(millions of dollars)

OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	18 045
Health Services Fund	5 408
Corporate taxes[1]	4 618
	28 071
Consumption taxes	
Retail taxes	10 020
Fuel	1 701
Tobacco	649
Alcoholic beverages	438
	12 808
Duties and permits	
Motor vehicles	758
Natural resources	– 46
Other	179
	891
Miscellaneous	
Sales of goods and services	391
Interest	578
Fines, forfeitures and recoveries	478
	1 447
Revenue from government enterprises	
Hydro-Québec	2 545
Loto-Québec	1 329
Société des alcools du Québec	745
Other	6
	4 625
Total	**47 842**
FEDERAL TRANSFERS	
Equalization	7 160
Health transfers	3 698
Transfers for post-secondary education and other social programs	1 371
Other programs	945
Total	**13 174**
TOTAL BUDGETARY REVENUE	**61 016**

1 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of the tax on capital for insurance companies, as well as the tax on public services.

Gouvernement du Québec
Budgetary expenditure of the Consolidated Revenue Fund
2007-2008 forecast
(millions of doliars)

PROGRAM SPENDING BY DEPARTMENT	
Affaires municipales et Régions	1 768.3
Agriculture, Pêcheries et Alimentation	703.0
Assemblée nationale	105.2
Conseil du trésor et Administration gouvernementale	599.9
Conseil exécutif	316.4
Culture, Communications et Condition féminine	623.8
Développement durable, Environnement et Parcs	194.4
Développement économique, Innovation et Exportation	755.8
Éducation, Loisir et Sport	13 395.2
Emploi et Solidarité sociale	4 126.5
Famille et Aînés	1 803.6
Finances (excluding debt service)	159.9
Immigration et Communautés culturelles	111.3
Justice	635.9
Personnes désignées par l'Assemblée nationale	74.3
Relations internationales	116.2
Ressources naturelles et Faune	448.9
Revenu	926.6
Santé et Services sociaux	23 843.2
Sécurité publique	991.8
Services gouvernementaux	83.6
Tourisme	140.7
Transports	2 074.8
Travail	31.7
Subtotal	**54 031.0**
Anticipated lapsed appropriations	– 150.0
Deferred appropriations in 2008-2009	– 78.8
Total	**53 802.2**
DEBT SERVICE	
Direct debt service	4 923.0
Interest ascribed to the retirement plans	2 321.0
Total	**7 244.0**
TOTAL BUDGETARY EXPENDITURE	**61 046.2**

Gouvernement du Québec
Consolidated non-budgetary transactions
2007-2008 forecast
(millions of dollars)

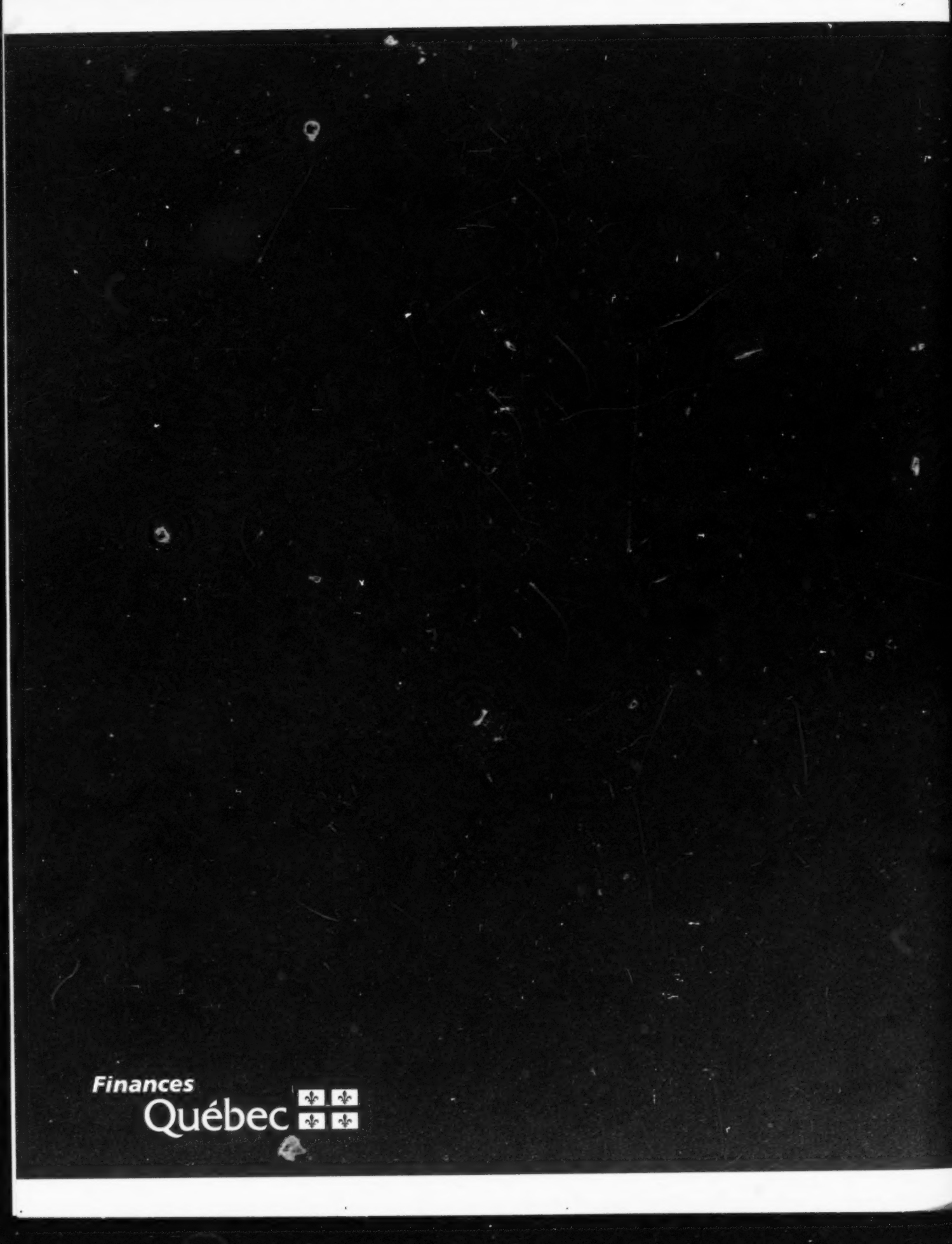
INVESTMENTS, LOANS AND ADVANCES	
Consolidated Revenue Fund	– 1 385
Consolidated organizations	– 142
Total	**– 1 527**
CAPITAL EXPENDITURES	
Consolidated Revenue Fund	
Net investments	– 349
Depreciation	236
Subtotal	**– 113**
Consolidated organizations	– 1 867
Total	**– 1 980**
RETIREMENT PLANS	
Contributions	6 028
Benefits and other payments	– 3 899
Total	**2 129**
OTHER ACCOUNTS	
Consolidated Revenue Fund	– 101
Consolidated organizations	388
Total	**287**
TOTAL CONSOLIDATED NON-BUDGETARY TRANSACTIONS	**– 1 091**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

Gouvernement du Québec
Consolidated financing transactions
2007-2008 forecast
(millions of dollars)

CHANGE IN CASH POSITION	
Consolidated Revenue Fund	6 069
Consolidated organizations	—
Total	**6 069**
NET BORROWINGS	
Consolidated Revenue Fund	
New borrowings	3 417
Repayment of borrowings	– 5 110
Subtotal	**– 1 693**
Consolidated organizations	
New borrowings	2 513
Repayment of borrowings	– 922
Subtotal	**1 591**
Total	**– 102**
RETIREMENT PLANS SINKING FUND	**– 4 876**
GENERATIONS FUND	**– 653**
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	**438**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.


Finances
Québec